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United Nations

United Nations Population Fund

Financial report and audited financial statements for the biennium ended 31 December 1991 and Report of the Board of Auditors

General Assembly
Official Records • Forty-seventh Session
Supplement No. 5G (A/47/5/Add.7)

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LETTERS OF TRANSMITTAL

1 May 1992

Sir,

Pursuant to UNFPA financial rule 116.2 (b), I have the honour to submit the financial statements of the United Nations Population Fund for the biennium ended 31 December 1991, which I hereby approve.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

Accept, Sir, the assurances of my highest consideration.

(Signed) Nafis SADIK
Executive Director of the
United Nations Population Fund

The Chairman of the Board of Auditors
United Nations
New York

30 June 1992

Sir,

I have the honour to transmit to you the financial statements of the United Nations Population Fund for the biennium 1990-1991 ended 31 December 1991, which were submitted by the Executive Director. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

Accept, Sir, the assurances of my highest consideration.

(Signed) Osei Tutu PREMPEH
Auditor-General of Ghana
and Chairman
United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York, N.Y.

I. FINANCIAL REPORT FOR THE BIENNIUM ENDED 31 DECEMBER 1991

1. The Executive Director of the United Nations Population Fund has the honour to submit herewith the financial report of the United Nations Population Fund (UNFPA) for the biennium ended 31 December 1991.

2. UNFPA is submitting its first biennial accounts for 1990-1991 in conformity with the changes in financial procedures of UNFPA approved by the General Assembly in paragraph 6 of resolution 45/235 of 21 December 1990. The biennial accounts for 1990-1991 consist of four statements supported by nine schedules accompanied by notes that are an integral part of the financial statements, and also cover the trust funds authorized by the Governing Council for population activities. The figures provided in the statements and schedules for the years 1988 and 1989 have been combined for comparative purposes although they relate to two separate financial periods.

3. The submission of the biennial accounts is made in conformity with regulation 16.1 of the UNFPA Financial Regulations approved by the Governing Council of the United Nations Development Programme (UNDP) at its thirty-seventh session in decision 90/36, paragraph 7.

Executing agency accounts

4. In accordance with UNFPA financial regulation 17.1 (b), the UNFPA financial statements incorporate the data obtained from the biennial accounts of the executing agencies with regard to the status of funds allocated to them for the execution of UNFPA projects during the biennium 1990-1991.

5. As of the date of the preparation of the present financial statements, the status of information received from the executing agencies was as follows:

(a) Audited statements were provided by two United Nations specialized agencies:

United Nations Educational, Scientific and Cultural Organization (UNESCO)

World Health Organization (WHO)

The Food and Agricultural Organization of the United Nations (FAO), and the International Labour Organisation (ILO), have not submitted any audited accounts. FAO requested an extension to mid-1992 due to technical difficulties encountered during the implementation of a major upgrade of its computerized management information system. UNFPA has submitted this information to the Governing Council at its thirty-ninth session (DP/1992/33, para. 9).

(b) The United Nations Board of Auditors are the external auditors of UNFPA as well as the auditors of the United Nations regional economic commissions and other United Nations organizations and programmes that execute projects funded by UNFPA. The Board has indicated that in respect of the United Nations organizations and programmes listed below it will not issue a

separate audit opinion on the programme expenditures and programme support costs funded by UNFPA. The Board also indicated that the exchange of the required audit information will be ensured by the Board internally. UNFPA has informed the Governing Council accordingly (DP/1992/33, paras. 10 and 11). These are as follows:

Department of Technical Cooperation for Development (UN/DTCD)

Department of International Economic and Social Affairs (UN/DIESA)

Economic Commission for Africa (ECA)

Economic Commission for Europe (ECE)

Economic Commission for Latin America and the Caribbean (ECLAC)

Economic and Social Commission for Asia and the Pacific (ESCAP)

Economic and Social Commission for Western Asia (ESCWA)

United Nations Children's Fund (UNICEF)

United Nations Development Programme/Office for Project Services (UNDP/OPS)

United Nations Environment Programme (UNEP)

United Nations Relief and Works Agency (UNRWA)

(c) As of the date of preparation of the present financial statements, the International Bank for Reconstruction and Development (World Bank) had not yet submitted audited accounts.

6. Should any changes be reported in the audited accounts of the United Nations organizations and programmes executing projects funded by UNFPA, UNFPA will report on the changes to the General Assembly and to the Governing Council at subsequent sessions. The Executive Director will submit to a subsequent session of the Governing Council copies of the audited statements and audit reports, if any, of the United Nations executing agencies and copies of any relevant resolutions adopted by their governing bodies, as required under UNFPA financial regulation 17.1 (b).

Financial status of the Fund

7. As shown in statement III, as at 1 January 1990, the balance of unexpended general resources of the Fund was $8,507,781. During 1990-1991, UNFPA received income of $436,382,403 and had expenditures of $450,429,034, which resulted in an excess of expenditure over income of $14,046,631, as shown in statement I.

8. Statement III shows that as at 31 December 1991, there was a negative balance of unexpended general resources of the Fund of $5,538,850 (that is, the opening balance as at 1 January 1990 of $8,507,781, less the excess of expenditure over income for 1991 of $14,046,631). The 1991 unspent allocations as at 31 December 1991 amounted to $40,239,789 (see schedule 8).

1990-1991 programme expenditure and 1990-1991 expenditure against the biennial budget appropriations

9. At its thirty-seventh session held in New York, the Governing Council gave the Executive Director a revised expenditure ceiling for 1991 of $166,700,000 (decision 90/35 B, para. 4). As shown in schedule 8, total allocations to projects for 1990-1991 were $380,919,209 of which $36,807,279 was the carry-over of unspent allocations from 1989. The unspent allocations as at 31 December 1991 amounted to $40,239,789 and for future years $177,048,739. In addition, as shown in schedule 4, net appropriations for the 1990-1991 biennial budget of UNFPA totalled $84,957,200, as approved by the Governing Council at its thirty-eighth session (decision 91/36, para. 7).

10. The breakdown of 1990-1991 expenditure is shown in statement I. It comprised $340,679,420 for projects, $29,727,125 paid to executing agencies, non-governmental organizations and UNFPA itself for agency support costs, and $80,022,489 for administrative and programme support costs under the biennial administrative and programme support services budget, after credits of $6,011,593 earned for programme support services were taken into account. The administrative and programme support services (APSS) expenditure included $34,256,561 of expenditure relating to field office support.

11. In 1991, the ratio of project expenditure to project allocations was 81.0 per cent, compared to 80.1 per cent in 1990, 81.1 in 1989, and 76.8 in 1988. United Nations executing agencies, including regional commissions, executed $181,914,766, or 53.4 per cent of the total programme expenditures. Governments executed $64,241,809, or 18.8 per cent of the total programme expenditure. UNFPA itself executed $55,089,988 or 16.2 per cent of the total project expenditure. UNFPA-executed projects included in 1990-1991 procurement assistance by the UNFPA headquarters Procurement Unit in respect of government projects amounting to $28.9 million. Non-governmental organizations, intergovernmental institutions and other agencies executed $39,432,857, or 11.6 per cent of the total project expenditure.

Status of operational reserve

12. The operational reserve was established by the Governing Council in January 1973 at the $20 million level to guarantee the financial viability and integrity of the UNFPA programme. During 1990-1991 UNFPA maintained a fully funded operational reserve at the level of $45.0 million (see statement II). There were no additions to the operational reserve in 1990-1991. At its thirty-eighth session, the Governing Council in decision 91/36 decided that the level of the operational reserve should be set at 20 per cent of general resources income for each year of the UNFPA work plan, and that it would review the level of the reserve every other year.

Liquidity position

13. As at 31 December 1991, UNFPA had bank balances in convertible currencies and time-deposit investments amounting to $75,046,626, which included $45 million of time-deposit investments of the operational reserve and $7,597,031 million belonging to UNFPA trust funds (see statement II and schedule 7). The investments reported in statement II and in schedule 5 were recorded at the United Nations operational rate of exchange, which came into effect on 1 December 1991. At the United Nations operational rate of exchange in effect from 1 January 1992, which more closely reflected the market rate of exchange as at 31 December 1991, the value of these investments would amount to $398 more than that shown in the accounts.

Special population programmes

14. As authorized by the Governing Council at its seventeenth session (decision 74/16, para. (e)), UNFPA received cash remittances totalling $36,977,709 million in 1990 and 1991 from the Governments of Japan, the Netherlands and Norway to be transferred by UNFPA to designated special population programmes. The four recipients of these funds (see schedule 6) were the International Planned Parenthood Federation ($35,952,027 from Japan and the Netherlands), the Population Council ($501,832 from the Netherlands and Norway), the International Union for the Scientific Study of Population ($358,769 from the Netherlands and Norway) and the International Council on the Management of Population Programmes ($165,081 from Norway). These transfers of funds are not included in the UNFPA financial statements.

Trust funds

15. Schedule 7 shows the statement of account as at 31 December 1991 of the trust funds established by the Executive Director for multilaterally and bilaterally funded programmes and other special population activities. The unexpended balance of the trust funds as at 1 January 1990 was $10,438,352. Contributions received from Governments and other sources during 1990-1991 were $18,580,812 and interest income amounted to $2,134,582. The total amount available for programming in 1990-1991 was $28,710,522. Total programme expenditure, including support costs, was $22,832,156, leaving at year-end an unexpended balance of $7,597,031 as the opening balance for 1992.

II. REPORT OF THE BOARD OF AUDITORS

Introduction

1. As required by General Assembly resolution 74 (I) of 7 December 1946 and article XVII of the Financial Regulations of the United Nations Population Fund (UNFPA), the Board of Auditors has audited the accounts of UNFPA for the biennium ended 31 December 1991.

2. The examination was made in accordance with article XII of the Financial Regulations of the United Nations and the annex thereto and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency (IAEA). The examinations were conducted at UNFPA headquarters in New York and at field offices in Bangladesh, Botswana, China, Ecuador, Malawi, Nigeria, the United Republic of Tanzania, Turkey and Uganda.

3. During the biennium under review, the Board of Auditors continued its normal practice of reporting the results of specific audits and issuing management letters containing detailed observations and recommendations to the Administration. This practice has helped to maintain a continuous dialogue with the Administration. Pursuant to regulation 12.9, the Board engaged the services of a certified public accounting firm for specific assignments.

4. The following sections deal with matters which, in the opinion of the Board, should be brought to the attention of the General Assembly. All observations were discussed with the Administration, whose responses are incorporated where appropriate. The present report is divided into two parts, covering the audit of financial statements and management issues, respectively.

Follow-up on actions taken on previous recommendations

5. The Board noted that various actions were taken. Pursuant to paragraph 17 (a) of General Assembly resolution 46/183 of 20 December 1991, the Board has carried out a review of the measures taken by the Administration on the recommendations made by the Board in its interim report for the year ended 31 December 1991 (A/46/5/Add.7), but emphasizes that further efforts are particularly needed with regard to the reimbursement of support costs for non-governmental organizations, interest earned on UNFPA funds, pre-project activities and financial control measures. The details and comments of the Board are outlined in annex I.

Summary of recommendations

6. We recommend that the following corrective actions, presented in order of priority, be taken:

(a) Every effort should be made to avert further deterioration of the ratio between operational costs and programme expenditure (see para. 70);

(b) The control of UNFPA property entrusted to executing and implementing agencies needs to be strengthened considerably (see para. 77);

(c) Regarding property control appropriate provisions and procedures should be established (see paras. 74, 79, 84);

(d) The Governing Council decision regarding a separate Internal Audit Unit for UNFPA should be implemented without delay (see para. 95);

(e) The retroactive approval of contracts with consultants should be discontinued immediately (see para. 102);

(f) Procurement services on behalf of other United Nations agencies should be provided on a sound legal basis (see para. 126);

(g) Cost-sharing arrangements regarding premises and services in the field should be based on clear criteria (see para. 129);

(h) The procurement and use of official vehicles in field offices need to be reviewed (see para. 132);

(i) Multi-bilateral (trust fund) activities should be more closely monitored to avoid negative balances (see para. 112);

(j) Multi-bilateral (trust fund) agreements should provide a safeguard against unforeseen financial liabilities of UNFPA (see para. 119);

(k) The UNFPA Policies and Procedures Manual (PPM) should be updated without further delay (see para. 138).

Summary of findings

7. Duly certified and signed financial statements were only submitted three weeks after the date established in the UNFPA Financial Regulations and Rules (see paras. 42 and 43).

8. Of the programme expenditure paid to executing agencies, 17.7 per cent was not supported by audited statements (see paras. 44-50).

9. Owing to late reporting, advances to Governments and non-governmental organizations are overstated, while expenditures are understated (see para. 51).

10. Different methods of accounting for expenditures are applied for United Nations executing agencies and Governments and non-governmental organizations (see paras. 52 and 53).

11. Pledges receivable from donors were older than two years (see paras. 54 and 55).

12. Assets and liabilities in foreign currency are not stated at the official market rate at the year-end (see paras. 56-58).

13. The system of unliquidated obligations is not in compliance with generally accepted accounting principles (see paras. 59-61).

14. The value of non-expendable property is not disclosed in a note to the financial statements (see paras. 62 and 63).

15. The contingent liabilities for repatriation grants and termination indemnities disclosed in the notes to the financial statements are based on rough estimates only (see paras. 64 and 65).

16. The liquidity position of UNFPA has deteriorated during the last three years (see paras. 66-68).

17. The ratio of total operational costs to total programme expenditure increased steadily during the past four years (see paras. 69 and 70).

18. At the field-office level, a clear identification of responsibilities for property control is missing. No adequate procedures exist to control project inventory (see paras. 72-78).

19. Relevant instructions do not specify how to proceed with equipment purchased and received by UNFPA. Inventory database systems at headquarters are not compatible. No clear instructions exist at headquarters for the conduct of physical counts (see paras. 79-82).

20. Reporting requirements regarding local Property Survey Board matters were not met. Headquarters had no complete picture about disposal of equipment in the field (see paras. 83 and 84).

21. No formal mandate or terms of reference exist for the internal audit function of UNFPA (see para. 86).

22. UNFPA senior management was hardly involved in the audit planning process (see paras. 87 and 88).

23. Audit coverage was inadequate, particularly regarding headquarters operations (see paras. 89 and 90).

24. Management's evaluation of, and response to, audit findings was inadequate (see paras. 91-93).

25. The Governing Council decision to establish a separate Internal Audit Unit for UNFPA has not been implemented yet (see paras. 94 and 95).

26. No comprehensive provisions exist for consultancy services acquired by UNFPA (see paras. 96-98).

27. The Fund's current practice of engaging consultants is not in line with pertinent provisions (see paras. 99 and 100).

28. Consultancy contracts were often retroactively approved (see paras. 101 and 102).

29. The control mechanism for identifying United Nations retirees when assigning consultants is deficient (see paras. 103 and 104).

30. Contrary to relevant United Nations policies, consultants were not selected from as wide and representative a number of countries as possible (see para. 105).

31. The level of incumbents of Country Director posts is not clearly linked to the size and complexity of the duty station and the administered programmes. No job descriptions exist for the individual posts (see paras. 106-110).

32. Debit trust fund balances have increased. In two trust funds project expenditure considerably exceeded the funds available (see paras. 111 and 112).

33. Regarding multi-bilateral projects, in many cases no formal agreements were established between recipient Government and donor (see paras. 113-115).

34. A donor's withdrawal of financial support forced UNFPA to substitute about $1.4 million for the implementation of an unfinished project (see paras. 116-119).

35. In support of a World Bank programme, UNFPA rendered procurement services to a Government without a signed agreement (see paras. 120 and 123).

36. Interest accrued on World Bank funds was used to offset administrative expenditures (see paras. 124 and 125).

37. In a number of cases, UNFPA was overcharged for premises and services shared with other United Nations organizations (see paras. 127-129).

38. UNFPA has official cars in field offices where no country director or other international UNFPA staff are posted (see paras. 130-132).

39. A donation of $30,000 made by UNFPA was not in line with the UNFPA mandate and the terms of reference for the project charged (see paras. 133-137).

40. After many years, the updating of the UNFPA Policies and Procedures Manual (PPM) is still not completed (see para. 138).

41. An implementing agency earned the equivalent of $1.3 million from interest on UNFPA advances without refunding all of them. UNFPA has not yet undertaken a full scale investigation of the case (see paras. 139-142).

Part I: Financial statements

Accounts and financial reporting

Late submission of financial statements

42. UNFPA Financial Regulations and Rules stipulate that the UNFPA financial statements after certification and signature by the Executive Director shall be submitted to the Board of Auditors not later than 30 April of the year following the financial period. For the biennium ended 31 December 1991, the Board received the certified and signed financial statements three weeks late on 21 May 1991.

43. As the final audits and the preparation of the audit reports have to be carried out under considerable time constraints and any delay seriously jeopardizes audit procedures and reporting, the Board strongly suggests that the established deadline for the submission of the financial statements be strictly observed.

Programme expenditure supported by adequate audit evidence

44. Programme expenditure and programme support costs paid to executing agencies made up 82.2 per cent of total UNFPA expenditure in 1991, as compared to 84.2 per cent in 1989. The status of 1990-1991 expenditure supported by adequate audit evidence is as shown:

Executing agencies	Programme expenditures		
	Total	Audited	Percentage
	(United States dollars)		
United Nations agencies (including UNFPA)	203 991 403	189 349 143	92.8
UNFPA	56 534 791	56 534 791	100.0
Governments	67 450 612	35 708 599	52.9
Intergovernmental institutions and other agencies, including non-governmental organizations	42 429 739	23 124 208	54.5
Total	370 406 545	304 716 749	82.2

45. As a result, the Board is not in the position to comment on the fairness of 17.7 per cent of the programme expenditure, or 14.6 per cent of total expenditure, which will be reflected in the Audit Opinion on the UNFPA financial statements.

Programme expenditure executed by United Nations organizations

46. A total of $203,991,403 of programme expenditures (including programme support costs) were spent by other United Nations entities acting as executing agencies of UNFPA. In order to achieve adequate audit evidence regarding these expenditures, the Board has in part to rely on audit results of other external auditors. The said programme expenditures can be broken down as follows:

United Nations agencies	United States dollars	Percentage of total
Audited by the Board of Auditors	88 413 169	43.3
Statements submitted and audited by other external auditors	100 935 974	49.5
Audited statements not yet submitted	14 642 260	7.2
Total	203 991 403	100.0

47. The Food and Agriculture Organization of the United Nations (FAO) and the International Bank for Reconstruction and Development (World Bank) have not yet submitted audited statements in time for the final audit of UNFPA. FAO had submitted audited financial statements for the financial period ended 31 December 1989 and indicated that audited statements for 1990-1991 will be submitted as soon as possible.

Programme expenditure executed by Governments

48. Government-executed programme expenditure includes both payments made by Government and payments made by UNFPA on behalf of the Government. Until 1991, UNFPA was not in the position to differentiate between these two categories of expenditures. The status of funds as reported by the Governments could not be reconciled with the general ledger.

49. Of government-executed expenditure 42.1 per cent for 1990 and 14.2 per cent for 1991 were supported by audited statements. In the opinion of the Board, the situation is still unsatisfactory and further efforts are needed.

Programme expenditure executed by intergovernmental institutions and other agencies, including non-governmental organizations)

50. In 1990-1991, programme expenditure by non-governmental organizations (including programme support costs), amounted to $42,429,739. Audit evidence was provided for $23,124,208, or 54.5 per cent. The percentage proved to be considerably higher for the first year of the biennium. This indicates that the situation can in part be attributed to time constraints.

Late reporting of project expenditures

51. The Board noticed that a great amount of project expenditure executed by Governments and non-governmental organizations were not reported on time and, therefore, could not be accounted for. Thus, advances are overstated while expenditures are understated. In the Board's opinion the principle of prudence would require that in all cases where expenditure reports are not received as stipulated, advances should be considered expenditure.

Accounting on an accrual basis

52. Different methods of accounting for expenditures are applied. The United Nations organizations report unliquidated obligations, that is, follow the accrual method. In contrast, Governments and non-governmental organizations did not report unliquidated obligations but unspent advances which are shown as receivables in statement II.

53. The Board suggests that expenditures by recipient Governments and non-governmental organizations be also recorded on an accrual basis. UNFPA acknowledged that this accounting method would be preferable, but asserted that not all Governments and non-governmental organizations might have the ability to account for expenditures on an accrual basis.

Contributions pledged by Governments

54. According to note 3 to the financial statements, pledges receivable from Governments amounted to $1,621,619. Of that sum, $533,897 were older than two years. It seems doubtful whether a large portion of this amount will eventually be received.

55. The Board suggests that an adequate general reserve for bad debts be established for these pledges. This general reserve should be deducted from the pledges receivable so that this position better reflects the amount which will probably be received from the donors. Efforts should be continued to write off pledges older than five years in concurrence with concerned Governments.

Valuation of accounts in foreign currencies

56. The Board has repeatedly raised the issue of appropriate balance sheet valuation of cash and investments relative to United Nations operational rates of exchange versus the year-end rate of exchange as officially quoted in the foreign exchange markets. According to generally accepted accounting principles, assets and liabilities held in currencies other than United States dollars should be converted using the market rate of exchange on 31 December. In 1991, UNFPA continued to convert investments nominated in foreign currencies at the United Nations operational rate of exchange for December, which reflect mostly the 30 November rate, which somewhat differs from the official exchange rate. The United Nations operational exchange rate for January would more closely reflect the market rate as at 31 December.

57. Although the difference which is shown in note 7 to the financial statements was clearly immaterial at the end of 1991, differences might be material owing to the exchange rate fluctuations in other years. The Board

takes the view that, using the official market rates, UNFPA financial statements would more accurately reflect the financial situation at year-end. The Board expects that this issue will be adequately addressed in connection with the development of common accounting standards to be applied within the United Nations system.

58. UNFPA also stated the dollar equivalent of unpaid pledges made in national currencies at the United Nations operational rate of exchange for December. The difference resulting from the application of this rate instead of the United Nations rate for January is not stated in the notes.

Unliquidated obligations

59. A sizeable amount of unliquidated obligations were contracted in foreign currencies. They were converted into United States dollars with the exchange rate valid at the time the obligation was established.

60. In the opinion of the Board, the amount in foreign currency should be adjusted according to the actual exchange rate for the inclusion in the financial statements. Further, the Board suggests that UNFPA considers buying the corresponding amount of foreign currency at the date of the purchase order to avoid the risk of currency fluctuations.

61. The system of unliquidated obligations is not in compliance with generally accepted accounting principles, according to which liabilities can only be booked when the goods or services are received. The Board expects that this issue will be adequately addressed in connection with the development of common accounting standards to be applied within the United Nations system.

Value of non-expendable property

62. The Board repeatedly requested that the value of non-expendable property should be itemized and appropriately disclosed in the financial statements. In particular, it was suggested that annual submission of inventory reconciliation statements by field offices be ensured.

63. Headquarters has taken action on the above issue, but not all field offices have submitted the requested statements. Consequently, disclosure of the value of non-expendable equipment in the financial statements is still to materialize.

Contingent liabilities

64. Note 10 to the financial statements gives only a very rough estimate of future expenses for repatriation grants and termination indemnities to be paid to staff members. The Board recommends using existing in-house electronic data-processing facilities (MIS) for the calculation of more exact figures based on actual staff data.

65. The Board noticed that another United Nations agency provides for the repatriation grants and termination indemnities in the balance sheet. The question of a uniform approach within the United Nations system should be addressed in connection with the development of common accounting standards for the organizations of the United Nations.

Liquidity position

66. The Board reviewed the liquidity position of UNFPA, as requested by the General Assembly at its forty-fifth and forty-sixth sessions. Details are provided in annex II of the present report.

67. The liquidity as at 31 December 1991 shows an excess of current assets over current liabilities in the amount of $39,461,150 compared to the liquidity as at 31 December 1989 of $53,507,781. The liquidity decreased by $14,046,631, which corresponds with the decrease in the unexpended balance of general resources in the same amount.

68. Owing to the excess of expenditures over income during the last three years, the total unspent resources decreased at the same time. During the biennium 1990-1991, this position was lower than the operational reserve. This resulted in a drawdown from the operational reserve which, pursuant to UNFPA financial regulation 12.2, has to be reported to the Governing Council.

Part II: Management issues

Budget management

Ratio of operational costs to total programme expenditure

69. The ratio of operational costs to programme expenditure can be considered an indicator for the cost-effectiveness of the fund's administration. It shows a steady increase, which can be seen from the table below:

	1988	1989	1990	1991
		(United States dollars)		
Operational costs (APSS and agency support costs)	37 380 071	46 131 810	52 431 716	57 317 898
Programme expenditure	129 832 498	157 436 419	168 901 452	171 777 968
Ratio (percentage)	28.8	29.3	31.0	33.4

70. The development is a matter of concern. Every effort should be made to avert a further deterioration of the ratio between operational costs and programme expenditure.

Expendable and non-expendable property

71. In 1991, the Board, in a coordinated effort, carried out an in-depth evaluation of property management and control within the United Nations system. Details on the audit findings at the various organizations of the United Nations can be found in respective reports of the Board. The

subsequent paragraphs deal with the findings at UNFPA, where total expenditures for equipment and supplies amounted to $97.5 million during the biennium 1990-1991.

Property control at field office level

72. At field level, property control showed major weaknesses, owing to a lack of regulations clearly specifying responsibilities, an ambiguous delineation of functions between UNDP and UNFPA, and insufficient coordination with UNDP with regard to purchasing, accounting and recording of equipment.

73. Field offices are required regularly to submit to headquarters property reports on UNFPA field office equipment. The prompt submission of property reports is far from satisfactory. In 1991, 25 per cent of the field offices failed to submit their annual inventory reports or reconciliation statements. At headquarters, responsibilities for property control in the field are not clearly established. Two different units are involved in processing incoming property reports.

74. The Administration has made arrangements to address the indicated problems. The Board urges that the deficiencies be eliminated without delay.

75. With regard to projects directly executed by UNFPA, no established procedure of property control exists. At field offices no information could be provided on how project inventory was safeguarded against waste, loss, unauthorized use or misappropriation. For example, owing to insufficient stock control, commodities with a value of approximately $280,000 had become unusable and, in one case, had to be destroyed. No mutual agreements existed with recipient Governments clarifying accountability and custodial responsibilities concerning entrusted equipment and supplies.

76. As custodians of UNFPA-financed property, Governments executing UNFPA projects are required to report annually on the status of non-expendable property. However, the reports were usually not reconciled at the field office since relevant records and filing systems were often insufficient. At headquarters, no possibility exists to verify the status of equipment entrusted to executing Governments.

77. The Board is particularly concerned about the limited capability of UNFPA offices to monitor stocks and to assess and cross-check commodity requirements alleged by Governments. The Board stresses that control of property entrusted to executing and implementing agencies needs to be strengthened considerably and action should be taken without delay.

78. Management stated that adequate provisions will be addressed in the context of the new Policies and Procedures Manual (PPM) that will be released in due time. Field offices were instructed to establish project equipment and inventory lists and to monitor these lists on an ongoing basis.

Property financed by Administration and Programme Support Services budget funds

79. Existing UNFPA provisions do not specify how to proceed when purchasing and receiving equipment financed by Administration and Programme Support Services budget funds. The draft UNFPA Procurement Procedures Manual does not include instructions in this regard. In particular, no provisions exist regarding the separation of the functions of procurement and receipt of goods. The Board recommends that appropriate provisions be established without delay.

80. In recent years, UNFPA had developed an electronic data-processing inventory database to manage and control non-expendable equipment. In 1991, procurement software was acquired for recording purchases. The two systems are not compatible, which leads to inefficiencies such as a duplication of work regarding the entering of data. A common system should be developed.

81. The annual physical inventories at headquarters are carried out on a rotational basis during the year. However, no clear written instructions exist for the conduct of physical counts. Moreover, staff were not aware of their responsibilities regarding equipment entrusted to them and failed to report on the relocation of equipment. Consequently, inventory status reports were not up to date.

82. Management has recently issued guidelines on inventory control and the conduct of physical inventory and will assign focal points for the annual physical inventory exercises.

Property Survey Boards

83. UNFPA financial rule 114.17 stipulates that Property Survey Boards (PSB) be established at UNFPA headquarters and in the field to advise Management on the disposal of damaged, obsolete or surplus property or equipment. At headquarters it was not known where local Boards were established in the field. Headquarters also had no complete picture of the disposal of field equipment. Reporting requirements were not adequately met by field offices. Less than 50 per cent of the field offices had submitted relevant data about local Board meetings. Responsibilities at headquarters were not clearly defined.

84. Following the observations of the Board, the Administration has initiated action. The Board urges that the indicated weaknesses be eliminated without delay.

Internal audit

85. In 1991, the Board in a coordinated effort has carried out an in-depth evaluation of the internal audit function within the United Nations system. Information on the audit findings at the various organizations of the United Nations can be found in respective reports of the Board. Subsequent paragraphs deal with the internal audit services provided to UNFPA by the Division for Audit and Management Review of UNDP. The Administration agreed with most of the Board's findings and, in consultation with the UNDP Division

for Audit Management and Review, is currently in the process of taking remedial action.

Internal audit mandate

86. No written basic document exists specifying the terms of reference for the internal audit function to be provided for UNFPA, such as audit objectives, responsibilities assigned to the Division, coverage of areas, and reporting and follow-up requirements. Management pointed out that, in the meantime, it has taken steps to remedy this deficiency.

Involvement of UNFPA senior management

87. In recent years, UNFPA senior management did not play any significant role in the audit planning. It failed to identify potential audit areas, determine objectives, outline priorities and criteria of materiality, significance to management and past audit experience. Proposals regarding audit coverage, work capacities assigned, selection of audit areas and offices to be audited and so on, were usually accepted by management with little or no specific feedback. In particular, the Board noted that no follow-up audits on issues of previous audit reports have ever been initiated by senior management.

88. Management stressed that, since the problem was identified by the Board, much effort had been made to improve the way UNFPA responds to audit matters. The Board urges that performance on this issue should continue to be improved.

Audit coverage of headquarters

89. As stated in a previous audit report, the Division for Audit Management and Review had not been able to render the full scope of audit activities and follow-up required for UNFPA. Between 1985 and 1991, the Division conducted management audits of UNFPA operations in the field in 30 countries. Two special audits took place in 1986. Management audits focusing on procurement and printing at headquarters were carried out in 1986 and 1990, respectively. The audit findings during the said period were documented in 38 reports; 32 of the reports deal with issues of field offices. The Division explained that the actual audit coverage was mostly dictated by the level of resources made available for such a service. Medium-term plans for audits at headquarters had been prepared in the meantime.

90. In the opinion of the Board, the audit coverage of headquarters activities was particularly inadequate in view of the considerable expansion of operations. The level of audit coverage needs to be markedly increased.

Response to audit findings

91. Between 1986 and 1991, only approximately half of the Division's findings and recommendations regularly communicated to management were properly evaluated and answered. Reports were often answered with many months delay; some were not answered at all. Management pointed out that all audit reports since 1990 have been replied to within a reasonable period of time. Serious efforts were made to follow up on weaknesses identified.

92. The Executive Director of UNFPA is assisted by the Executive Committee and the Management Committee. The committees are to advise the Executive Director on major issues and decisions. A review of the minutes of previous committee meetings disclosed that audit items were hardly ever on the agenda during the last five years. UNFPA commented that a direct reference to audit itself might not have been made in the minutes in cases where discussions on audit findings took place as a part of a specific issue. Regular meetings had been held to discuss administrative issues and audit findings.

93. The Board has taken note of recent efforts to improve UNFPA performance regarding the response to audit matters. In view of the situation in the past, the Board reiterates that a marked improvement is required.

Establishment of a separate UNFPA Internal Audit Unit

94. The Governing Council had approved the establishment of a UNFPA Audit Unit within the Division for Audit Management and Review, effective 1 January 1992. In November 1991, the Division submitted job descriptions of the approved posts for classification to the Division of Personnel of UNDP. The classification is still pending because of different views between the Divisions. A staff member of UNFPA has been designated for the position of a senior auditor, while other recruitments have not yet been initiated. The appointment of the senior auditor shall only become effective after a replacement is found for his current post.

95. The Board is concerned about the delay. Every effort should be made to implement the Governing Council decision and to make the Audit Unit operational as soon as possible.

Consultants, experts and temporary assistance

Recruitment of consultants

96. Until 1992, no comprehensive UNFPA provisions and guidelines existed for consultancy services acquired by UNFPA. Therefore, the Board in its review referred to pertinent United Nations provisions. The Board noted a significant number of infringements of these provisions.

97. The Administration took the view that United Nations provisions were not applicable to UNFPA. It has now issued Guidelines for Recruitment of International Consultants, which reflect, in substance, UNDP policy and procedure, and announced a similar document for local consultancies that will be broadly in line with United Nations provisions.

98. In the view of the Board, the establishment of said guidelines was overdue for many years. A comprehensive set of provisions should be finalized without delay.

Consultancy and temporary assistance

99. UNFPA engaged consultants to assist regular headquarters staff performing their tasks or to temporarily replace staff members. This practice was not in compliance with pertinent United Nations and UNDP provisions according to

which the term "consultants" refers to individuals who provide outside expertise, special skills or knowledge not normally possessed by regular staff while "temporary assistance" is to support regular staff in cases, such as peak workload, leaves (e.g. maternity, sick leave) or conferences.

100. The Administration in its comments referred to UNDP practice in this regard. As the current practice is not in line with pertinent provisions, the Board suggests consulting with UNDP to establish a mechanism which appropriately addresses the issue.

Retroactive approvals

101. At headquarters and in the field, UNFPA contractual procedures were flawed. Consultants had commenced work before the contract was approved and signed, and contracts were signed only after the completion of the consultant's service. Contract extensions were approved after the expiration of the contract and the consultant's consent to contract modifications was not documented. The required approval by headquarters was not asked for.

102. The Board stresses that retroactive approval of contracts with consultants should be discontinued immediately. The question of personal liability and recourse should be investigated in cases committing the Fund without due procedure.

United Nations pensioners

103. The total remuneration to be paid in any one calendar year to former United Nations staff engaged as consultants who are in receipt of a United Nations pension shall not exceed $12,000. The UNFPA control mechanism to identify United Nations retirees and ensure the compliance with this provision is deficient.

104. The Board suggests that a system tracking consultancy assignments and fees be established in cooperation with other organizations within the United Nations system.

Selection of consultants

105. According to relevant United Nations provisions, consultants shall be selected from as wide and representative a number of countries as possible utilizing the expertise existing in developing countries. Almost two thirds of the consultants contracted in 1991 and 1992 represented only 11 countries, among them four developing countries. The Board questions whether the selection of consultants is properly balanced and takes adequate account of the concept of technical cooperation among developing countries. The Administration will address the concern of the Board.

Personnel management

Post classification and job descriptions

106. Out of the present 59 country director posts, six posts are classified at the D-1 level for denominated duty stations while 53 posts are classified at the P-5 level. The classification by the joint UNDP/UNFPA Classification Panel took into consideration, inter alia, priority countries criteria and the grading formula for UNDP resident representatives. The Governing Council approved this classification, effective 1 January 1988. UNFPA assigned the posts accordingly.

107. Currently, the authorized level is actually used only for one of the indicated six duty stations, whereas five of the posts at the D-1 level are used otherwise. The Administration took the view that the Governing Council, by approving the classification, had accepted the current pool system.

108. The Board holds the view that a country director's grade level should be linked with the size and complexity of the duty station and the administered programmes. There is no evidence that the Governing Council has approved a system which does not match the rank-the-job approach as mandated by the International Civil Service Commission.

109. Individual job descriptions reflecting the particular conditions of a duty station and the local programme profile do not exist. The role and function of country directors is established only in a generic job description laid down in an agreement of March 1990 between UNFPA and UNDP, which management considers sufficient.

110. The Board recommends that job descriptions be prepared for the individual country director posts and the post be ranked according to the particular requirements of the duty station. The current practice of a pool system should be discontinued.

UNFPA multi-bilateral funding (trust funds)

Trust fund balances

111. Compared to prior years, the debit balances of trust fund accounts as at 31 December 1991 have increased considerably. The debit balances as at 31 December 1991 amounted to $597,556 as against $235,088 in 1989 and $199,021 in 1990. In two trust funds, project expenditure exceeded the funds available.

112. According to UNFPA, financial regulation 5.2, trust fund activities have to be fully funded, that is, no expenditure may be incurred unless sufficient funds have been received to cover project expenditures. UNFPA has to reduce, suspend or terminate the project, if no funds are received from the respective donor. Closer cooperation between headquarters units may facilitate monitoring expenditures of multi-bilateral projects.

Acceptance of the recipient Government

113. According to UNFPA multi-bilateral financing provisions, the recipient Government must agree to accept assistance from the donor through the multi-bilateral programme before UNFPA shall enter into a formal agreement with the donor. The bilateral agreement between the donor and the recipient Government is, therefore, a precondition for the agreement between the donor and UNFPA.

114. Based on a sample audit of a number of multi-bilateral projects, the Board could not locate any written documents giving proof of such an agreement between a recipient Government and the donor. The administration admitted that in many cases there were no formal agreements.

115. The Board considers a valid written agreement between the donor and the recipient Government indispensable, particularly in cases of subsequent arguments. Appropriate action should be taken which may include a review of current UNFPA provisions.

Agreement termination

116. A donor country provided extrabudgetary support under the aegis of a multi-bilateral programme in Africa. Owing to the severance of diplomatic relations between the recipient Government and the trust fund donor, the latter terminated its multi-bilateral support to UNFPA. The termination became effective on 3 March 1991. While the termination was in line with the cancellation clause agreed upon in the agreement between UNFPA and the donor, the donor's withdrawal of financial support put UNFPA in an awkward position. Since the specific agreements of the projects were only concluded between the recipient Government and UNFPA, the complete funding of these projects is the responsibility of UNFPA. About $1.4 million has to be substituted from the Fund's regular budget to continue the respective projects.

117. The Board considers the possibility of terminating multi-bilateral agreements unilaterally because of diplomatic disruptions between the multi-bilateral donor and the recipient Government as a significant weakness within the multi-bilateral funding concept.

118. The Administration shares the Board's concern and stated it will negotiate this issue on a case-by-case basis with the multi-bilateral donors and recipient countries.

119. In view of the sensitive nature of relationships between donor Governments and recipient Governments, and in order to protect UNFPA from unforeseen financial liabilities, the Board recommends that future multi-bilateral agreements provide for appropriate means to withdraw from such orphaned projects.

Procurement

Procurement services in support of World Bank-financed programmes

120. In support of World Bank-financed programmes in developing countries, UNFPA is rendering contraceptive procurement services to the Government of Bangladesh. A handling fee of 5 per cent on FOB cost of goods has been agreed with the Government and the World Bank.

121. According to the financial records, the following transactions were carried out during the biennium 1990-1991:

Year	Advances paid by World Bank	Disbursements by UNFPA	Support costs for UNFPA	Unexpended balance
		(United States dollars)		
1990	8 164 670	6 436 005	333 675	1 394 990
1991	12 418 500	11 897 994	567 650	(47 144)
Total	20 583 176	18 333 999	901 325	1 347 846

122. In note 8 to the UNFPA financial statements, it is stated that the Fund in 1991 entered into an agreement with the World Bank to act as an executing agency to World Bank-financed programmes, including the utilization of UNFPA contraceptive procurement services. However, there is neither a basic agreement nor any memorandum of understanding with the World Bank specifying the general terms and conditions which are to govern the cooperation, or arranging for the financial and non-financial reporting requirements. The memorandum of 12 April 1991 on the results and recommendations of a visit of the Executive Director to the World Bank in March 1991 does not constitute such an agreement.

123. The Board failed to find legality in the UNFPA Financial Regulations and Rules for UNFPA to act as an executing agency for the World Bank. The Board is also unable to follow the Administration's rationale that the funds advanced by the World Bank constitute funds of the recipient Government. In accepting advances from the World Bank and undertaking procurement activities on their behalf UNFPA is, in effect, acting as an executing agent for the Bank, not the Government.

124. According to a memorandum of June 1991, the UNDP Division of Finance was unofficially informed that $8,418,500 advanced by the World Bank in 1990 for reimbursable procurement should be treated as trust funds. It is not clear, however, whether the advances are treated as trust funds.

125. The World Bank funds were disbursed to the suppliers only after three to five months after the money was received from the World Bank. Consequently, significant amounts of interest on the advances were accrued by UNFPA during the procurement handling span. UNFPA asserted that it intended to use the interest earned to purchase additional supplies. The Board noticed, however,

that the total income credit has already been applied to offset 1991 administrative expenditures.

126. The Board is concerned about the circumstances of the case in question and emphasizes the need for immediate remedial action. Procurement services on behalf of other United Nations agencies should be provided on a sound legal basis.

Cost sharing for common premises and services

127. UNDP and UNFPA have a long-standing practice of sharing common premises and common services costs in the field. Expenditures, such as for rental, maintenance of and alterations to premises, cleaning services, utilities, and communication are covered on a pro-rated basis among the organizations sharing the office building. However, there are no UNFPA guidelines establishing criteria for cost-sharing arrangements. The Administration regularly confined itself to giving general instructions on rental and maintenance for premises, including utilities, within the guidelines for the preparation of budget estimates for the UNFPA field offices.

128. Audit visits in the field revealed various deficiencies. Rental charged to UNFPA was out of proportion with regard to the actual office space occupied and cost-sharing agreements pertaining to joint utilities were either not properly documented or did not specify the underlying calculation. In one particular case, the calculation of charges for the United Nations dispensary was based on obsolete data of staff and dependants and resulted in a continuous overcharging of UNFPA.

129. In the Board's opinion, the aforementioned deficiencies illustrate the need to issue clear guidelines to the field offices when entering into cost-sharing agreements. Besides, it should be ensured that services covered by the annual subvention according to the 1988 Agreement between UNDP and UNFPA on the Provision of Financial Services are not indirectly reimbursed.

Field office vehicles

130. UNFPA provides a significant number of official vehicles in field offices where no country director nor other international staff is posted. This practice is not in accordance with the general UNFPA policy on the procurement and use of official vehicles in the field offices, namely, to provide official cars only for duty stations with international staff. The Administration justified the provision of the cars in question by referring to the particular local conditions or to the in-custody status of cars (project cars). The exceptional circumstances under which office vehicles may be provided to programme support offices are not sufficiently defined and specified in pertinent provisions.

131. The auditors observed that UNDP resident representatives tended to consider UNFPA-financed vehicles, which are temporarily in the custody of UNDP, as an additional office support. The question of how to proceed with these UNFPA cars is currently not covered by UNFPA instructions.

132. In view of the above findings, the Board recommends that comprehensive and unambiguous instructions should be established to guide the procurement and use of office vehicles in the field.

UNFPA mandate

133. During the Gulf crisis in 1990 and 1991, the Government of a country neighbouring the crisis area asked UNFPA for financial support in connection with a possible influx of refugees in case of war. UNFPA decided to assist the Government by making available an amount of $30,000 for maternal/child health purposes such as medicine and necessary equipment.

134. In February 1991, the UNFPA field office was advised by headquarters to either utilize available funds under an ongoing government-executed project or to approve locally a supplementary budget for the same project. The UNFPA representative approved a supplementary budget of $30,000, resulting in an increase of the total project budget. Finally, the funds were transferred to a private health foundation. Until now neither headquarters nor the field office has any evidence of how the funds were expended.

135. According to Economic and Social Council resolutions 1763 (LIV) of 18 May 1973 and 1986/7 of 21 May 1986, and to the 1989 Amsterdam Declaration on a Better Life for Future Generations, the mandate and aims of UNFPA are to respond to national, regional, interregional and global needs in the population and family planning fields; to promote awareness of implications of population problems and human rights aspects of family planning; to assist developing countries' census programmes and programmes to reduce maternal mortality and infant mortality rates; to play a leading role in the United Nations system in promoting and coordinating population programmes.

136. The Board questions whether the above-mentioned donation was justified by the mandate of UNFPA. In the Board's opinion, there are other United Nations organizations whose mandates focus on relief assistance of the kind indicated. This kind of assistance, however, does not appear particularly to fit the mandate of UNFPA.

137. Moreover, the donation was also not in line with the established financial terms of reference for the project charged. The project, which should have been terminated by 1988, suffered from enormous delays at all project stages but finally was supposed to be closed at the end of 1990. Only a survey by a Population Institute was pending at that time. Thus, supplementary funds would have been justified only if the established project objectives were jeopardized by an unforeseen lack of funds or the project was to be extended.

Updating the UNFPA Policies and Procedures Manual

138. Since 1985 the Board has repeatedly criticized the lack of a consolidated up-to-date UNFPA Policies and Procedures Manual (PPM) accurately reflecting subjects such as, UNFPA policies and operational issues, functions, organizational structure, administrative/financial procedures, and so on. Out of 11 chapters intended to be issued, only a chapter on the "Historical and

Legislative Background of UNFPA" and a chapter on "Sources of Funds for UNFPA Activities" have been edited. In the Board's view, the updating of the Manual deserves high priority and should be expeditiously continued and finalized.

Cases of irregularities and write-off of losses

139. A governmental implementing agency did not fully use the advances obtained from UNFPA to cover the local project costs. The practice became public at the end of 1989 and was followed up by UNFPA in 1990 and 1991. A special audit performed by the UNDP Division for Audit Management and Review revealed that during the period 1984-1988 interest income of approximately $1.3 million was earned from UNFPA advances and not refunded to UNFPA, as stipulated by UNFPA financial regulation 13.6 and rule 104.6.

140. Moreover, UNFPA engaged certified public accountants to gather and analyse independently information on the case. The accountants indicated in their report that the only effective avenue to gain reasonable assurance about the purpose of expenditure would be a comprehensive examination of the implementing agency's accounting. However, no direct investigation and audit of the implementing agency's own accounts and bank records have so far been carried out.

141. UNFPA has separated the then-UNFPA Country Director from service and written-off $13,052. An amount of $144,377 was attributed to project activities and administrative functions and accounted for as expenditures.

142. Because of the limitations in the scope of examinations, the Board is unable to comment on the accounting measures taken by UNFPA to settle the case. Accordingly, the Board expresses no opinion or any other form of assurance thereon.

Acknowledgement

143. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended by the Executive Director of the United Nations Population Fund, her officers, and members of their staff.

(Signed) Osei Tutu PREMPEH
Auditor-General of Ghana

(Signed) Eufemio C. DOMINGO
Chairman, Commission on Audit
of the Philippines

(Signed) Heinz Günter ZAVELBERG
President of the Federal Court
of Audit of Germany

ANNEX I

Follow-up of actions taken to implement the recommendations of the Board of Auditors in its interim report for the period ended 31 December 1990 a/

I. RECOMMENDATIONS 6 (a) AND (b)

1. The Board had recommended that means should be established to ensure that non-governmental organizations receive support costs on an equal scheme of assessment and on the basis of actual project expenditures.

2. The Board had also recommended that a clear distinction and separation between direct and indirect administrative support costs should be made to ensure that no unjustified payments for administrative support by non-governmental organizations occur.

A. Measures taken by the Administration

3. UNFPA has recognized the need to review, clarify and elaborate in detail its policy on reimbursement of support costs to non-governmental organizations. A newly established task force will accomplish objectives to establish policies to ensure that non-governmental organizations receive support costs on a comprehensible and equal scheme of assessment and overhead rate. The following issues are considered to be addressed in the new procedures:

(a) The basis for calculating overheads;

(b) How to make a clear distinction between direct and indirect costs;

(c) How to factor in the calculation of support-costs reimbursement the complexity of the work required.

B. Comments of the Board

4. As no final results of the task force are available yet, for the time being, the Board is not in the position to comment on the subject. The Board emphasizes, that in the given context efforts should also be made to meet the provision in financial regulation 8.7 to reimburse support costs to non-governmental organizations only up to levels determined by the Governing Council.

II. RECOMMENDATION 6 (c)

5. The Board had recommended that further steps should be taken to enhance the control of interest income earned by executing agencies on funds provided by UNFPA.

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a/ A/46/5/Add.7, sect. III, para. 6.

A. Measures taken by the Administration

6. The Administration stated that it will continue to strengthen the administrative control to ensure that only cash sufficient for the subsequent three months of a project's activities is advanced to the executing agency concerned. In the case of government-executed projects, the preferred method of funding project activities is being changed. Instead of giving advances to the Government to cover project costs, UNFPA would now reimburse the Government for expenditures incurred in the approved project budgets. This procedure, however, could only be implemented in cases where liquidity of government funds is not an issue. Similar to procedures already existing for projects executed by Governments, UNFPA had now opened a special operating funds account for projects executed by non-governmental organizations.

B. Comments of the Board

7. The Board wonders whether the new funding modalities of UNFPA will be feasible and prove to be workable. The Board continues to emphasize that closer internal controlling over project reimbursements or advances, respectively, and actual expenditures disbursed by implementing agencies is required generally to reduce the possibility of interest monies being earned on UNFPA payments, and spent for non-budgeted purposes.

III. RECOMMENDATIONS 6 (d) AND (e)

8. The Board had recommended that provisions should be established warranting that the purpose, scope, duration and necessary inputs of any pre-project activities be specified precisely.

9. The Board had further recommended that the approval authority for pre-project activities should be restricted with regard to the financial volume and the scheduled duration of the actual projects.

A. Measures taken by the Administration

10. The Administration pointed to instructions on the distinctions between pre-project activities and umbrella decentralized approvals, which are conveyed in orientation and training activities. Furthermore, the Administration indicated its intention to clarify the context, scope and limits relating to the use of umbrella projects and pre-project activities within the streamlining and simplification of procedures in the area of project design.

B. Comments of the Board

11. The Administration did not explain which actual measures were taken and, if any, what the state of implementation is. The Board is concerned that to date clarifying directives to assist the field offices apparently have not yet been initiated. To remove any ambiguity of the pertinent provisions and with respect to the financial risk involved, the Board reiterates that a

comprehensive circular on the topic in question should be issued without awaiting the overall review of existing project formulation, appraisal and monitoring guidelines.

IV. RECOMMENDATIONS 6 (f) AND (g)

12. The Board had recommended that the existing provisions governing the designation and execution of certifying and approving functions in the field should be revised.

13. The Board had also recommended that the execution of supervisory functions by headquarters regarding the certifying and approving functions in the field has to be strengthened.

A. Measures taken by the Administration

14. The Administration has issued guidelines on "Approving and certifying financial transactions" (UNFPA/CM/92/33 of 8 April 1992) to be incorporated in the UNFPA Finance Manual, currently under preparation, and circulated them to all field offices and headquarters staff. The Administration has requested the field's active involvement in all issues of financial management, in particular, their efforts to supervise and provide leadership and guidance to the staff for enforcing UNFPA procedures and internal financial controls. Additionally, resident representatives have been requested to designate the Country Director as certifying officer for obligations and expenditures of UNFPA funds.

B. Comments of the Board

15. The Board appreciates the issuance of guidelines addressing the indicated problems. However, the procedure of how to designate the approving and certifying function is still unclear and ambiguous. According to UNFPA Financial Rules, the Executive Director shall designate UNFPA or UNDP officials as UNFPA approving or certifying officers. No such act of designation could be verified by the Board.

ANNEX II

Liquidity position

1. The Board reviewed the liquidity position of UNFPA as requested by the General Assembly at its forty-fifth and forty-sixth sessions. The breakdown below shows assets and liabilities by maturities for 1991 and 1989 for comparison with maturities exceeding the financial period (two years) considered long term:

	1991	1989	Difference
		(United States dollars)	
Assets			
Long-term investments	0	0	0
Cash and short-term investments	75 275 252	105 704 895	(30 429 643)
Advances and accounts receivable	18 659 006	16 203 682	2 455 324
Pledges receivable from Governments	1 621 619	1 567 295	54 324
	95 555 877	123 475 872	(27 919 995)
Liabilities, reserves and unexpended resources			
Long-term			
Operational Reserve, including net of unexpended balance of general resources	39 461 150	53 507 781	(14 046 631)
Short-term			
Short-term liabilities, unliquidated obligations and other payables	56 094 727	69 968 091	(13 873 364)
	95 555 877	123 475 872	(27 919 995)

2. The liquidity as at 31 December 1991 shows an excess of current assets over current liabilities in the amount of $53,507,781. The liquidity decreased by $14,046,631, which corresponds with the decrease in the unexpended balance of general resources in the same amount. The decrease can also be illustrated as follows:

(United States dollars)

Source of funds		
Contributions	422 089 077	
Miscellaneous income	14 293 326	436 382 403
Application of funds		
Programme expenditure	340 679 420	
Agency support costs	29 727 125	
Administrative and programme support services (APSS)	80 022 489	450 429 034
Decrease in liquidity		(14 046 631)

3. The following table shows that the liquidity significantly deteriorated during the last three years.

	1989	1990	1991
	(Thousands of United States dollars)		
Liquidity	53 508	44 564	39 461
Expenditure	203 568	221 333	229 096
Percentage of expenditure	26.3	20.1	17.2

4. Since 1987, total unspent resources, that is, the operational reserve plus the unexpended balance of general resources, developed as follows:

	(Thousands of United States dollars)
1987	61 063
1988	73 846
1989	53 508
1990	44 564
1991	39 461

III. AUDIT OPINION

We have examined the following appended financial statements, numbered I to IV, properly identified, and relevant schedules of the United Nations Population Fund for the financial period ended 31 December 1991. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances, except as explained in paragraphs 44 to 50 of our report.

In our opinion, subject to the receipt of outstanding audited statements of recipient Governments and executing agencies to support programme expenditure and programme support costs incurred, the financial statements fairly present the financial position of the organization as at the end of the financial period and the results of its operations for the period then ended.

The financial statements have been prepared in accordance with the stated accounting policies, which have been applied on a basis consistent with that of the preceding financial period.

Transactions were in accordance with the Financial Regulations and legislative authority.

(Signed) Osei Tutu PREMPEH
Auditor-General of Ghana

(Signed) Eufemio C. DOMINGO
Chairman, Commission on Audit
of the Philippines

(Signed) Heinz Günter ZAVELBERG
President of the Federal Court
of Audit of Germany

IV. CERTIFICATION OF THE FINANCIAL STATEMENTS

1 May 1992

I certify that to the best of my knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements, numbered I to IV, and supporting schedules, numbered 1 to 9.

(Signed) Peter LESLIE
Director
Division of Finance
United Nations Development Programme

V. FINANCIAL STATEMENTS FOR THE BIENNIUM ENDED 31 DECEMBER 1991

STATEMENT I

UNITED NATIONS POPULATION FUND

Statement of income and expenditure for the biennium ended 31 December 1991, with comparative figures for 1988-1989

(United States dollars)

1988 - 1989			1990 - 1991
	INCOME		
	Contributions from Governments		
348 057 926	Pledges for current biennium	(schedule 1)	426 567 001
55 219	Additions and adjustments to pledges for prior years (net)	(schedule 1)	(113 412)
(2 481 936)	Exchange adjustments on collection of contributions	(note 9)	(4 373 433)
345 631 209			422 080 156
2 872	Donations		8 921
17 591 889	Miscellaneous income (net)	(schedule 2)	14 293 326
363 225 970	TOTAL INCOME	(statement IV)	436 382 403
	EXPENDITURE		
	Programme expenditure		
157 202 984	By United Nations executing agencies	(schedule 3)	181 914 766
36 470 757	By Governments	(schedule 3)	64 241 809
55 534 332	By United Nations Population Fund	(Schedule 3)	55 089 988
38 060 844	By inter-governmental institutions and other agencies including non-governmental organizations	(schedule 3)	39 432 857
287 268 917			340 679 420
	Agency support costs		
19 216 476	By United Nations executing agencies	(schedule 3)	22 076 637
1 748 767	By Governments	(schedule 3)	3 208 803
2 087 790	By United Nations Population Fund	(Schedule 3)	1 444 803
1 711 079	By inter-governmental institutions and other agencies including non-governmental organizations	(schedule 3)	2 996 882
24 764 112			29 727 125
58 747 769	Administrative and programme support services biennial budget expenditure (net)	(schedule 4)	80 022 489
370 780 798	TOTAL EXPENDITURE	(statement IV)	450 429 034
(7 554 828)	Excess of expenditure over income	(statement III)	(14 046 631)

The accompanying notes are an integral part of the financial statements.

STATEMENT II

UNITED NATIONS POPULATION FUND

Statement of assets and liabilities as at 31 December 1991, with comparative figures for 1989

(United States dollars)

1989			1991
	ASSETS		
	Cash and Investments		
3 149 857	Convertible currencies		71 537
740 510	Non-convertible currencies		228 626
56 814 528	Investments	(schedule 5)	29 975 089
45 000 000	Investments of the operational reserve	(schedule 5)	45 000 000
105 704 895			75 275 252
	Advances and accounts receivable		
539 652	Non-convertible currencies pending United States dollar credit from UNDP	(note 2)	187 488
5 572 002	Operating funds provided by UNFPA to executing agencies	(note 4)	8 182 469
8 964 538	Operating funds provided by UNFPA to Governments		6 960 721
-	Operating funds provided by UNFPA to inter-governmental institutions and other agencies including NGOs		2 335 680
467 546	Accounts receivable and deferred charges		341 866
659 944	Accrued interest		650 782
16 203 682			18 659 006
1 567 295	Pledges receivable from Governments for current and prior years	(schedule 1 and note 3)	1 621 619
123 475 872			95 555 877
	LIABILITIES, RESERVES AND UNEXPENDED RESOURCES		
	Liabilities		
4 363 056	Accounts payable		2 517 956
-	Advances received for reimbursable procurement	(note 8)	1 347 846
5 502 330	Operating funds payable by UNFPA to executing agencies	(note 4)	5 118 662
42 510 615	Unliquidated obligations of executing agencies and Governments		30 849 054
7 153 738	Due to UNDP		8 664 178
10 438 352	Due to UNFPA trust funds	(schedule 7)	7 597 031
69 968 091			56 094 727
45 000 000	Operational reserve	(note 5)	45 000 000
8 507 781	Unexpended balance of general resources	(statement III)	(5 538 850)
123 475 872			95 555 877

The accompanying notes are an integral part of the financial statements.

STATEMENT III

UNITED NATIONS POPULATION FUND

Statement of general resources for the biennium ended 31 December 1991, with comparative figures for 1988-1989

(United States dollars)

1988 - 1989			1990 - 1991
24 062 609	Balance as at 1 January		8 507 781
(7 554 828)	Less: Excess of expenditure over income	(statement I)	(14 046 631)
16 507 781			(5 538 850)
8 000 000	Less: Transfer to operational reserve	(note 5)	-
8 507 781	Balance as at 31 December	(statement II and note 6)	(5 538 850)

The accompanying notes are an integral part of the financial statements.

STATEMENT IV

UNITED NATIONS POPULATION FUND

Statement of changes in financial position for the biennium ended 31 December 1991, with comparative figures for 1988-1989

(United States dollars)

1988 - 1989			1990 - 1991
	SOURCE OF FUNDS		
363 225 970	Total income for the biennium	(statement I)	436 382 491
-	Decrease in operating funds provided to Governments for executing UNFPA projects		2 003 817
9 224 701	Increase in funds payable to UNDP		1 510 440
-	Increase in advances received for reimbursable procurement		1 347 846
-	Decrease in other receivables		487 006
1 586 031	Increase in operating funds payable to executing agencies		-
22 583 604	Increase in other liabilities		-
396 620 306	Total funds provided		441 731 512
	APPLICATION OF FUNDS		
370 780 798	Total expenditure for the biennium	(statement I)	450 429 034
1 503 183	Increase in operating funds provided to executing agencies		2 610 467
-	Increase in operating funds provided to inter-governmental institutions and other agencies including NGOs		2 335 680
319 829	Increase in pledges receivable from Governments		54 324
-	Decrease in other liabilities		16 347 982
-	Decrease in operating funds payable to executing agencies		383 668
817 707	Increase in other receivables		-
8 964 538	Increase in operating funds provided to Governments for executing UNFPA projects		-
382 386 055	Total funds used		472 161 155
14 234 251	Net increase (decrease) in cash and investments		(30 429 643)
91 470 644	Cash and investments at beginning of the biennium		105 704 895
105 704 895	Cash and investments at end of the biennium	(statement II)	75 275 252

The accompanying notes are an integral part of the financial statements.

SCHEDULES TO THE FINANCIAL STATEMENTS

SCHEDULE 1

UNITED NATIONS POPULATION FUND

Status of voluntary contributions pledged as at 31 December 1991

(United States dollars)

Donor	Balance due as at 1 January 1990 for 1989 and prior years	Additions and adjustments for prior years	Pledges for 1990 to 1991	Pledges for 1992 and future years		Total	Payments received	Unpaid pledges as at 31 December 1991	Composition of balance due	
				Local currency	United States dollars				For 1991 and prior years	For 1992 and future years
Afghanistan	-	-	5 520	-	2 760	8 280	-	8 280	5 520	2 760
Albania	3 594	1 439	1 667	17 500	700	7 400	6 000	1 400	700	700
Algeria	-	-	9 174	-	-	9 174	-	9 174	9 174	-
Angola	500	-	-	-	-	500	-	500	500	-
Australia	-	-	2 186 713	1 700 000	1 349 206	3 535 919	2 186 713	1 349 206	-	1 349 206
Austria	-	-	650 000	-	540 000	1 190 000	650 000	540 000	-	540 000
Bahamas	-	525	420	-	-	945	945	-	-	-
Bangladesh	-	-	36 187	-	18 100	54 287	18 087	36 200	18 100	18 100
Barbados	3 000	-	3 500	-	-	6 500	6 500	-	-	-
Belgium	664 000	42 129	1 562 997	36 000 000	1 090 909	3 360 035	2 269 126	1 090 909	-	1 090 909
Benin	-	-	4 000	-	1 000	5 000	2 000	3 000	2 000	1 000
Bhutan	-	-	5 400	-	2 700	8 100	5 400	2 700	-	2 700
Bolivia	29 600	-	8 000	-	4 000	41 600	-	41 600	37 600	4 000
Botswana	1 289	77	-	-	-	1 366	1 366	-	-	-
Brazil	10 000	-	-	-	5 000	15 000	10 000	5 000	-	5 000
British Virgin Islands	-	-	1 010	-	-	1 010	1 010	-	-	-
Bulgaria	39 719	(22 043)	22 727	55 000	3 005	43 408	40 403	3 005	-	3 005
Burkina Faso	8 170	4 330	3 984	-	-	16 484	-	16 484	16 484	-
Burundi	-	(568)	12 423	1 000 000	4 975	16 830	11 855	4 975	-	4 975
Cameroon	6 194	576	373	-	-	7 143	7 143	-	-	-
Canada	-	-	22 990 608	-	-	22 990 608	22 990 608	-	-	-
Central African Republic	-	-	2 564	-	-	2 564	-	2 564	2 564	-
Chad	-	-	11 000	-	-	11 000	-	11 000	11 000	-
Chile	5 000	-	10 000	-	5 000	20 000	5 000	15 000	10 000	5 000
China	-	-	1 410 000	-	765 000	2 175 000	1 410 000	765 000	-	765 000
Colombia	23 249	-	80 000	-	40 000	143 249	98 249	45 000	5 000	40 000
Comoros	3 268	395	-	-	-	3 663	-	3 663	3 663	-
Cook Islands	4 286	(514)	3 727	-	-	7 499	-	7 499	7 499	-
Cyprus	-	-	2 000	-	1 000	3 000	2 000	1 000	-	1 000
Czechoslovakia	25 000	(6 056)	21 920	600 000	20 761	61 625	40 864	20 761	-	20 761
Democratic People's Republic of Korea	-	-	28 107	50 000	23 256	51 363	51 363 a/	-	-	-
Democratic Yemen	2 783	-	2 783	-	-	5 566	-	5 566	5 566	-
Denmark	-	-	30 975 025	-	-	30 975 025	30 975 025	-	-	-
Dominican Republic	-	-	7 893	-	-	7 893	-	7 893	7 893	-
Ecuador	66 000	-	22 000	-	-	88 000	-	88 000	88 000	-
Egypt	73 191	(1 670)	129 101	260 205	78 140	278 762	141 311	137 451	59 311	78 140
El Salvador	-	5 000	5 000	-	-	10 000	10 000	-	-	-
Equatorial Guinea	22 222	2 686	6 227	-	-	31 135	-	31 135	31 135	-

SCHEDULE 1 (continued)

Donor	Balance due as at 1 January 1990 for 1989 and prior years	Additions and adjustments for prior years	Pledges for 1990 to 1991	Pledges for 1992 and future years		Total	Payments received	Unpaid pledges as at 31 December 1991	Composition of balance due	
				Local currency	United States dollars				For 1991 and prior years	For 1992 and future years
Ethiopia	-	-	14 493	-	-	14 493	14 493	-	-	-
Fiji	1 600	(72)	2 993	2 500	1 712	6 233	4 521	1 712	-	1 712
Finland	-	-	42 577 597	80 000 000	18 604 651	61 182 248	42 577 597	18 604 651	-	18 604 651
France	-	-	1 908 903	-	1 339 450	3 248 353	1 908 903	1 339 450	-	1 339 450
Gabon	-	-	67 568	10 000 000	36 630	104 198	67 568	36 630	-	36 630
German Democratic Republic	-	-	192 308	-	-	192 308	192 308	-	-	-
Germany, Federal Republic of	-	-	47 571 071	-	-	47 571 071	47 571 071	-	-	-
Greece	-	-	5 000	-	-	5 000	5 000	-	-	-
Guatemala	5 532	3 507	2 000	-	1 000	12 039	8 039	4 000	3 000	1 000
Guinea	-	-	4 000	-	-	4 000	4 000	-	-	-
Guyana	-	-	235	-	-	235	184	51	51	-
Honduras	-	-	16 666	-	-	16 666	16 666	-	-	-
Hungary	806	(6)	43 094	2 150 000	27 564	71 458	43 894	27 564	-	27 564
Iceland	5 100	100	5 420	-	3 348	13 968	8 020	5 948	2 600	3 348
India	-	-	566 796	7 200 000	280 156	846 952	333 333	513 619	233 463	280 156
Indonesia	-	-	315 726	-	165 000	480 726	150 726	330 000	165 000	165 000
Italy	-	(218 919)	3 381 024	-	-	3 162 105	3 162 105	-	-	-
Jamaica	1 538	(590)	1 782	10 000	513	3 243	2 000	1 243	730	513
Japan	-	-	82 530 000	-	-	82 530 000	82 530 000	-	-	-
Jordan	3 969	(3 969)	44 237	-	22 000	66 237	43 328	22 909	909	22 000
Kenya	10 699	(3 100)	4 203	56 000	1 965	13 767	-	13 767	11 802	1 965
Kiribati	-	-	153	2 000	1 587	1 740	153	1 587	-	1 587
Kuwait	30 000	-	5 000	-	-	35 000	-	35 000	35 000	-
Lao People's Democratic Republic	-	-	1 000	-	500	1 500	1 000	500	-	500
Lesotho	2 122	(236)	2 498	3 690	1 313	5 697	1 196	4 501	3 188	1 313
Liberia	55 000	4 000	-	-	-	59 000	4 000	55 000	55 000	-
Libyan Arab Jamahiriya	81 433	4 774	-	-	-	86 207	-	86 207	86 207	-
Liechtenstein	-	-	-	3 000 000	2 098	2 098	-	2 098	-	2 098
Luxembourg	18 178	2 479	46 329	2 000 000	60 606	127 592	16 026	111 566	50 960	60 606
Madagascar	17 225	226	6 000	-	-	23 451	3 226	20 225	20 225	-
Malawi	-	-	3 590	8 960	3 331	6 921	616	6 305	2 974	3 331
Malaysia	-	-	15 000	-	15 000	30 000	15 000	15 000	-	15 000
Maldives	-	-	2 400	-	1 200	3 600	2 400	1 200	-	1 200
Mali	500	-	-	-	-	500	-	500	500	-
Malta	-	-	738	-	-	738	738	-	-	-
Marshall Islands	-	-	1 000	-	-	1 000	1 000	-	-	-
Mauritania	-	-	3 755	360 000	4 506	8 261	-	8 261	3 755	4 506
Mauritius	-	5 643	-	-	-	5 643	5 643	-	-	-
Mexico	-	5 088	8 249	-	-	13 337	13 337	-	-	-
Federated States of Micronesia	-	-	2 000	-	-	2 000	-	2 000	2 000	-

SCHEDULE 1 (continued)

Donor	Balance due as at 1 January 1990 for 1989 and prior years	Additions and adjustments for prior years	Pledges for 1990 to 1991	Pledges for 1992 and future years		Total	Payments received	Unpaid pledges as at 31 December 1991	Composition of balance due	
				Local currency	United States dollars				For 1991 and prior years	For 1992 and future years
Mongolia	-	-	825	-	-	825	767	58	58	-
Morocco	4 869	-	12 000	-	6 000	22 869	5 805	17 064	11 064	6 000
Mozambique	-	493	2 100	-	-	2 593	493	2 100	2 100	-
Myanmar	7 364	305	18 955	60 000	9 836	36 460	26 624	9 836	-	9 836
Nepal	3 750	-	7 500	-	-	11 250	11 250	-	-	-
Netherlands	-	-	55 104 335	50 180 000	31 222 222	86 326 557	55 104 335	31 222 222	-	31 222 222
New Zealand	-	-	419 020	-	-	419 020	419 020	-	-	-
Niger	1 500	-	10 158	-	-	11 658	-	11 658	11 658	-
Nigeria	27 137	(7 123)	48 752	-	-	68 766	50 088	18 678	18 678	-
Niue	-	-	500	-	-	500	-	500	500	-
Norway	-	(877)	50 204 491	166 000 000	26 666 667	76 870 281	50 203 614	26 666 667	-	26 666 667
Oman	10 000	-	-	-	-	10 000	-	10 000	10 000	-
Pakistan	818	-	1 000 000	-	500 000	1 500 818	990 614	510 204	10 204	500 000
Panama	2 500	(1 750)	3 000	-	2 000	5 750	3 000	2 750	750	2 000
Papua New Guinea	79	434	3 261	-	-	3 774	3 164	610	610	-
Paraguay	20 000	-	45 500	-	23 500	89 000	-	89 000	65 500	23 500
Peru	24 648	-	-	-	15 000	39 648	-	39 648	24 648	15 000
Philippines	57 754	3 507	85 113	1 000 000	37 594	183 968	146 374	37 594	-	37 594
Poland	-	-	7 089	115 000 000	10 536	17 625	7 089	10 536	-	10 536
Portugal	20 000	23 000	25 000	-	25 000	93 000	68 000	25 000	-	25 000
Republic of Korea	-	-	100 000	-	50 000	150 000	100 000	50 000	-	50 000
Romania	-	-	7 024	-	-	7 024	7 024	-	-	-
Rwanda	1 150	-	1 150	-	-	2 300	2 300	-	-	-
Saint Kitts and Nevis	117	883	883	-	-	1 883	1 766	117	117	-
Saint Lucia	-	-	720	-	-	720	720	-	-	-
Saint Vincent and the Grenadines	-	500	500	-	-	1 000	1 000	-	-	-
Samoa	-	-	-	-	5 000	5 000	-	5 000	-	5 000
Saudi Arabia	30 000	-	60 000	-	30 000	120 000	90 000	30 000	-	30 000
Senegal	50 637	-	1 500	-	-	52 137	-	52 137	52 137	-
Seychelles	-	-	1 000	-	-	1 000	1 000	-	-	-
Sierra Leone	38	(32)	-	-	-	6	-	6	6	-
Solomon Islands	1 000	-	-	-	-	1 000	-	1 000	1 000	-
Somalia	247	(193)	-	-	-	54	-	54	54	-
Spain	-	-	638 315	50 000 000	490 196	1 128 511	638 315	490 196	-	490 196
Sri Lanka	-	-	20 000	-	10 000	30 000	20 000	10 000	-	10 000
Sudan	36 402	(18 018)	-	-	-	18 384	-	18 384	18 384	-
Suriname	-	-	-	-	4 000	4 000	-	4 000	-	4 000
Swaziland	758	(109)	775	2 000	712	2 136	-	2 136	1 424	712
Sweden	-	-	42 628 811	-	-	42 628 811	42 628 811	-	-	-
Switzerland	-	-	11 313 525	-	-	11 313 525	11 313 525	-	-	-
Syrian Arab Republic	-	-	4 158	-	-	4 158	4 158	-	-	-
Thailand	(49 228) a/	-	100 191 b/	-	50 000	100 963	100 574 a/	389	-	389
Togo	-	(324)	22 941	-	-	22 617	11 628	10 989	10 989	-
Tokelau Islands	-	-	600	-	-	600	600	-	-	-

SCHEDULE 1 (concluded)

Donor	Balance due as at 1 January 1990 for 1989 and prior years	Additions and adjustments for prior years	Pledges for 1990 to 1991	Pledges for 1992 and future years: Local currency	Pledges for 1992 and future years: United States dollars	Total	Payments received	Unpaid pledges as at 31 December 1991	Composition of balance due: For 1991 and prior years	Composition of balance due: For 1992 and future years
Trust Territory Republic of Palau	-	-	500	-	500	1 000	-	1 000	500	500
Tunisia	(7 097) a/	-	38 959 b/	22 800	25 046	56 908	44 802 a/	12 106	-	12 106
Turkey	10 000	-	45 000	-	30 000	85 000	44 000	41 000	11 000	30 000
Tuvalu	-	238	238	500	397	873	-	873	476	397
Uganda	-	-	3 218	-	-	3 218	2 762	456	456	-
Union of Soviet Socialist Republics	-	106 042	867 105	-	-	973 147	631 904	341 243	341 243	-
United Kingdom of Great Britain and Northern Ireland	-	(46 137)	24 074 390	-	-	24 028 253	24 028 253	-	-	-
United Republic of Tanzania	-	(754)	9 450	2 500 000	10 870	19 566	19 566 a/	-	-	-
Uruguay	-	-	7 280	-	17 280	34 560	8 640	25 920	8 640	17 280
Vanuatu	5 000	-	5 000	-	7 500	17 500	5 000	12 500	5 000	7 500
Viet Nam	1 500	-	4 500	-	2 500	8 500	3 500	5 000	2 500	2 500
Yemen Arab Republic	5 928	6	3 083	-	3 847	12 864	6 167	6 697	2 850	3 847
Yugoslavia	15 000	-	15 000	-	-	30 000	20 000	10 000	10 000	-
Zaire	2 000	-	2 000	-	-	4 000	4 000	-	-	-
Zambia	-	-	1 497	-	-	1 497	1 497	-	-	-
Zimbabwe	2 332	1 266	5 211	6 945	1 400	10 209	8 809	1 400	-	1 400
	1 510 970	(113 412)	426 567 001	-	83 787 245	511 751 804	426 439 617	85 312 187	1 621 619	83 690 568
		(Statement I)							(Statement II and note 3)	

a/ Includes the following amounts received in 1991 for 1992 pledges:

	Local currency	United States dollar equivalent
Democratic Republic of Korea	-	23 256
Thailand	1 275 000	49 611
Tunisia	-	12 939
United Republic of Tanzania	2 500 000	10 870
	-	96 676

b/ Includes 1990 pledges received in 1989.

SCHEDULE 2

UNITED NATIONS POPULATION FUND

Miscellaneous income and expenditure for the biennium ended 31 December 1991, with comparative figures for 1988-1989

General Resources

(United States dollars)

1988 - 1989			1990 - 1991
12 593 618	Interest income from investments		9 599 015
725 052	Miscellaneous income from accounts of executing agencies - net		1 019 860
3 165 101	Net adjustments on revaluation of currencies and gains/losses on exchange other than contributions	(note 1(c))	2 919 977
1 108 118	Other income - net		754 474
17 591 889	Total miscellaneous income - net	(statement I)	14 293 326

The accompanying notes are an integral part of the financial statements.

SCHEDULE 3

UNITED NATIONS POPULATION FUND

Expenditure by United Nations agencies, Governments and non-governmental organizations for the biennium ended 31 December 1991

(United States dollars)

	Personnel services	Sub-contracts	Training (fellowships)	Equipment and supplies	Miscellaneous	Total programme expenditure	Agency support costs	Total
United Nations (Department of International Economic and Social Affairs)	2 171 974	325 120	252 886	41 617	26 898	2 818 495	366 174	3 184 669
United Nations (Department of Technical Cooperation for Development)	19 548 838	1 303 275	8 901 372	13 529 975	4 585 037	47 868 497	6 206 052	54 074 549
ECA	7 314 669	47 301	1 558 046	132 285	219 313	9 271 614	1 205 309	10 476 923
ECE	712 052	5 000	89 738	95 469	49 728	951 987	123 757	1 075 744
ECLAC	4 323 369	71 027	439 433	247 839	244 835	5 326 503	692 446	6 018 949
ESCAP	2 781 315	523 516	751 631	139 666	146 391	4 342 519 a/	564 526 b/	4 907 045
ESCWA	1 538 313	-	8 554	1 853	2 624	1 551 344	201 675	1 753 019
FAO	7 181 677	3 902 223	1 113 815	675 324	110 702	12 983 741	1 548 269	14 532 010
IBRD	92 000	-	-	-	-	92 000	-	92 000
ILO	15 312 202	699 583	3 934 331	1 896 214	1 516 129	23 358 459 c/	3 036 599 d/	26 395 058
UNDP-Office for Projects Services	671 776	351 464	812 835	1 226 444	87 340	3 149 859	344 710	3 494 569
UNEP	140 503	-	13 700	-	4 305	158 508	-	158 508
UNESCO	12 224 428	1 349 231	5 562 363	1 776 828	1 659 477	22 572 327	2 754 604	25 326 931
UNICEF	140 822	7 644	929 816	2 008 915	5 957	3 093 154	176 040	3 269 194
UNRWA	7 302	-	10 948	-	-	18 250	-	18 250
WHO	13 955 317	9 815 673	10 139 685	8 547 248	1 899 586	44 357 509	4 856 476	49 213 985
United Nations executing agencies total	88 116 557	18 401 057	34 519 153	30 319 677	10 558 322	181 914 766	22 076 637	203 991 403

SCHEDULE 3 (concluded)

	Personnel services	Sub-contracts	Training (fellowships)	Equipment and supplies	Miscellaneous	Total programme expenditure	Agency support costs	Total
Governments	11 416 936	8 744 329	13 787 470	26 146 606	4 146 468	64 241 809	3 208 803 f/	67 450 612
UNFPA	11 869 657	7 396 276	3 753 399	30 585 454	1 485 202	55 089 988 e/	1 444 803 f/	56 534 791
Inter-governmental institutions and other agencies including non-governmental organization	12 326 409	6 176 043	10 849 250	5 886 160	4 194 995	39 432 857	2 996 882	42 429 739
TOTAL	123 729 559	40 717 705	62 909 272	92 937 897	20 384 987	340 679 420 (schedule 8 and statement I)	29 727 125 (statement I)	370 406 545

a/ Reduced by $1,207 relating to adjustment of prior biennium's programme expenditure.

b/ Reduced by $157 relating to adjustment of prior biennium's agency support costs.

c/ Reduced by $127,054 relating to adjustment of prior biennium's programme expenditure.

d/ Reduced by $16,517 relating to adjustment of prior biennium's agency support costs.

e/ Includes UNFPA procurement assistance in respect of Government projects amounting to $28.9 million.

f/ Included as part of the $6,011,593 credits and income shown in schedule 4.

SCHEDULE 4

UNITED NATIONS POPULATION FUND

Administrative and programme support services budget appropriations and expenditure for the biennium ended 31 December 1991

(United States dollars)

Programme	Appropriations for 1990-1991 a/	Expenditure: Disbursements 1990-1991	Expenditure: Unliquidated obligations as at 31 December 1991	Expenditure: Total expenditure 1990-1991	Unencumbered balance as at 31 December 1991
I. Executive direction and management	4 797 100	4 511 692	114 623	4 626 315	170 785
II. Administrative, information and external relations and programme coordination	25 737 500	24 816 919	1 280 098	26 097 017	(359 517)
III. Programme planning, appraisal and monitoring	22 640 500	20 865 149	189 040	21 054 189	1 586 311
IV. Field programme support	36 282 100	33 393 343	863 218	34 256 561	2 025 539
Gross appropriations and expenditure	89 457 200	83 587 103	2 446 979	86 034 082	3 423 118
Less: Credits and Income	4 500 000			6 011 593 b/	(1 511 593)
Net appropriations and expenditure	84 957 200			80 022 489 c/	4 934 711
				(Statement I)	

a/ Revised appropriations as approved by the Governing Council at the thirty-eighth session (decision 91/36).

b/ Consisting of:
$ 3 208 803 - charged to projects executed by Governments (schedule 3).
$ 1 444 803 - charged to projects executed by UNFPA for procurement services to Government projects (schedule 3).
$ 901 325 - support cost reimbursed by World Bank for procurement services (Note 8).
$ 398 162 - charged to projects under Trust Fund arrangements (schedule 7).
$ 58 500 - support cost reimbursed from other miscellaneous procurement services.

$ 6 011 593

c/ Consisting of:
$37 770 290 - charged against 1990 resources.
$42 252 199 - charged against 1991 resources.

$80 022 489 (statement I)

SCHEDULE 5

UNITED NATIONS POPULATION FUND

Investments as at 31 December 1991

(United States dollars)

Type	Currency		Amount
Current accounts	Canadian dollars		1 840
	Deutsche mark		1 887
	Italian lire		795
	Japanese yen		1 498
	Netherlands guilders		3 815
	Swedish kronor		254
			10 089
Interest-bearing accounts	United States dollars		625 000
Interest-bearing bonds and notes	United States dollars		15 000 000
Time deposit accounts	United States dollars		59 340 000
	Total		74 975 089
Comprising:	Unexpended Resources	(statement II)	29 975 089
	Operational Reserve	(statement II)	45 000 000
			74 975 089

SCHEDULE 6

UNITED NATIONS POPULATION FUND

Status of contributions from Governments for special population programmes as at 31 December 1991

(United States dollars)

	International Planned Parenthood Federation	Population Council	International Union for the Scientific Study of Population	International Council on the Management of Population Programmes	Total
Contributions received from Governments and disbursed in 1990-1991					
Japan	30 050 000	-	-	-	30 050 000
Netherlands	5 902 027	271 451	162 871	-	6 336 349
Norway	-	230 381	195 898	165 081	591 360
TOTAL	35 952 027	501 832	358 769	165 081	36 977 709

SCHEDULE 7

UNITED NATIONS POPULATION FUND

TRUST FUNDS

Statement of account for the biennium ended 31 December 1991

(United States dollars)

Trust funds	Unexpended balance as at 1 January 1990	Contributions received	Interest income	Transfers	Total funds available	Programme expenditure	Support costs: Executing Agencies	Support costs: UNFPA	Total expenditure	Unexpended balance as at 31 December 1991
UNFPA multi-bilateral and other trust Funds										
Arab Gulf Fund	(22 894)	405 000	3 895	(4 339) a/	381 662	499 003	9 097	4 133	512 233	(130 571) b/
Australia	164 291	668 803	49 212	-	882 306	4 758	-	237	4 995	877 311
Bahrain	228	-	71	(299) c/	-	-	-	-	-	-
Belgium	(132 820)	2 074 304	94 477	-	2 035 961	885 082	33 350	-	918 432	1 117 529
Canada	237 621	3 150 369	86 091	-	3 474 081	3 537 119	368 898	35 049	3 941 066	(466 985)
Colombia	36 606	-	5 388	(40 109) a/	1 885	1 762	123	-	1 885	-
European Economic Community	24 932	-	5 322	-	30 254	11 644	-	-	11 644	18 610
Finland	508 332	1 665 269	183 432	-	2 357 033	1 349 493	107 288	26 210	1 482 991	874 042
IPPF/AGFUND	-	135 000	-	-	135 000	900	-	45	945	134 055
Italy	1 012 352	-	137 769	-	1 150 121	600 000	-	30 000	630 000	520 121
Luxembourg	494 780	-	147 213	-	641 993	419 426	-	20 972	440 398	201 595
Management Development Unit d/	(79 374)	1 533 771	15 682	-	1 470 079	1 310 817	-	65 541	1 376 358	93 721
Microcomputer Database on Women, Population and Development	2 240	-	77	(2 317) c/	-	-	-	-	-	-
Netherlands	1 191 128	3 173 221	206 300	(250 000) a/	4 320 649	2 574 789	143 323	73 424	2 791 536	1 529 113
Norad	775 575	914 817	58 902	(427 416) a/	1 321 878	1 306 672	-	-	1 306 672	15 206
Norway	4 033 474	3 748 821	778 904	-	8 561 199	6 921 355	660 715	91 947	7 674 017	887 182
Organization of Petroleum-Exporting Countries	244 134	50 000	37 250	-	331 384	100 000	-	5 000	105 000	226 384

SCHEDULE 7 (concluded)

Trust funds	Unexpended balance as at 1 January 1990	Contributions received	Interest income	Transfers	Total funds available	Programme expenditure	Support costs: Executing Agencies	Support costs: UNFPA	Total expenditure	Unexpended balance as at 31 December 1991
Sweden	161 123	488 680	29 790	-	679 593	464 416	53 518	2 637	520 571	159 022
Switzerland	-	250 000	828	-	250 828	94 597	12 298	-	106 895	143 933
Syrian Arab Republic	71 713	318 624	5 093	-	395 430	161 205	-	8 060	169 265	226 165
United Kingdom of Great Britain and Northern Ireland	816 417	-	155 123	-	971 540	698 137	-	34 907	733 044	238 496
United Nations f/	71	-	8	(79) c/	-	-	-	-	-	-
	9 539 929	18 576 679	2 000 827	(724 559)	29 392 876	20 941 175	1 388 610	398 162	22 727 947	6 664 929
Other Trust Funds										
Rafael M. Salas Endowment Fund *	278 907	4 133	44 689	-	327 729	4 107	-	-	4 107	323 622
United Nations Population Award	619 516	-	89 066	-	708 582	100 102	-	-	100 102	608 480
Total	10 438 352	18 580 812 g/	2 134 582	(724 559)	30 429 187	21 045 384	1 388 610	398 162	22 832 156	7 597 031
								(schedule 4)		(statement II)

* Previously known as the Endowment Fund.

a/ Refunded to donors.

b/ Contributions of $498,000 received in Jan... / 1992.

c/ Financially completed projects transferred to UNFPA general resources.

d/ This project which is financed by the Governments of the United Kingdom, Norway and the Netherlands, is to strengthen maternal child health and family planning programme management in Bangladesh.

e/ Accumulated interest income which was transferred as contribution from the Government to the 1994 International Conference on Population and Development.

f/ Balance of the United Nations Trust Fund for Special Economic Assistance Programme (TFSEAP) for Liberia transferred to UNFPA to cover monitoring and reporting costs of project LIR/85/P02.

g/ Contributions received:

	1990	1991	Total
Contributions (schedule 9)	10 524 593	8 052 086	18 576 679
Private Donations	145	3 988	4 133
Total	10 524 738	8 056 074	18 580 812

SCHEDULE 8

UNITED NATIONS POPULATION FUND

Unspent allocations as at 31 December 1991

(United States dollars)

	Revised 1990-1991 allocations	1990-1991 Expenditure	1991 unspent allocations	Future years' allocations	Total unspent allocations
United Nations (Department of International Economic and Social Affairs)	3 198 786	2 818 495	380 291	643 450	1 023 741
United Nations (Department of Technical Cooperation for Development)	50 271 370	47 868 497	2 402 873	20 985 064	23 387 937
ECA	8 547 852	9 271 614	(723 762)	-	(723 762)
ECE	959 792	951 987	7 805	12 000	19 805
ECLAC	5 642 182	5 326 503	315 679	2 566 608	2 882 287
ESCAP	4 466 689	4 342 519	124 170	584 211	708 381
ESCWA	1 399 641	1 551 344	(151 703)	-	(151 703)
FAO	12 866 009	12 983 741	(117 732)	2 707 704	2 589 972
IBRD	142 000	92 000	50 000	-	50 000
ILO	26 621 823	23 358 459	3 263 364	6 858 348	10 121 712
UNDP-Office for Project Services	4 450 679	3 149 859	1 300 820	1 961 168	3 261 988
UNEP	168 012	158 508	9 504	-	9 504
UNESCO	25 682 413	22 572 327	3 110 086	9 436 197	12 546 283
UNICEF	3 328 177	3 093 154	235 023	6 323 569	6 558 592
UNRWA	18 250	18 250	-	-	-
WHO	47 763 265	44 357 509	3 405 756	12 215 327	15 621 083
United Nations Executing Agencies total	195 526 940	181 914 766	13 612 174	64 293 646	77 905 820
Governments	74 406 394	64 241 809	10 164 585	65 083 399	75 247 984
UNFPA	66 071 566	55 089 988 a/	10 981 578	25 558 340	36 539 918
Intergovernmental institutions and other agencies including non-governmental organizations	44 914 309	39 432 857	5 481 452	22 113 354	27 594 806
TOTAL	380 919 209	340 679 420	40 239 789	177 048 739	217 288 528
		(schedule 3)	(note 6)	(note 6)	

a/ Includes UNFPA procurement assistance in respect of Government projects amounting to $28.9 million.

SCHEDULE 9

UNITED NATIONS POPULATION FUND

TRUST FUNDS

Status of contributions pledged as at 31 December 1991

(United States dollars)

Government/organization	Balance due as at 1 January 1990	Additions and adjustments	Total	Payments received 1990-1991	Unpaid pledges as at 31 December 1991	Composition of balance due: For 1991 and prior years	Composition of balance due: For 1992 and future years
UNFPA multi-bilateral and other programmes							
Arab Gulf Programme for United Nations Development Organization	-	525 000	525 000	525 000	-	-	-
Australia	-	668 803	668 803	668 803	-	-	-
Belgium	-	2 074 304	2 074 304	2 074 304	-	-	-
Canada	23 051	3 127 318	3 150 369	3 150 369	-	-	-
Finland	-	1 665 269	1 665 269	1 665 269	-	-	-
Netherlands	-	3 657 025	3 657 025	3 657 025	-	-	-
Non-governmental organizations	-	15 000	15 000	15 000	-	-	-
Norway	-	4 990 223	4 990 223	4 990 223	-	-	-
Organization of Petroleum Exporting Countries	-	50 000	50 000	50 000	-	-	-
Sweden	226 704	261 976	488 680	488 680	-		
Switzerland	-	250 000	250 000	250 000	-	-	-
Syrian Arab Republic	-	318 624	318 624	318 624	-	-	-
United Kingdom of Great Britain and Northern Ireland	-	723 382	723 382	723 382	-	-	-
Total	249 755	18 326 924	18 576 679	18 576 679	-	-	-
				(schedule 7)			

ANNEX

Notes to the Financial Statements

Note 1. Summary of significant accounting policies

The financial statements reflect the application of the following significant accounting policies:

(a) Income

In accordance with UNFPA financial rule 116.1(a), income (including pledges from Governments, investment income and miscellaneous income, but excluding contributions to trust funds) is recorded on an accrual basis. Details of contributions pledged for future years are shown in schedule 1.

(b) Expenditure

Expenditure relating to staff entitlements is accounted for on the basis of cash disbursements. That relating to projects executed by Governments and by non-governmental organizations is accounted for on the basis of disbursements transacted from UNFPA headquarters and expenditure reports furnished by the Government and non-governmental organizations. In accordance with UNFPA financial rule 116.1(a), all other expenditure is accounted for on an accrual basis. Project expenditure, other than that relating to projects executed by non-governmental organizations, includes unliquidated obligations raised by the executing agencies in respect of goods and services provided for in the project budgets and contracted for by the end of that year.

(c) Exchange rates

UNFPA financial rule 104.1 provides that pledges made in currencies other than United States dollars are reported in the equivalent of United States dollars converted at the United Nations operational rate of exchange in effect on the date of the pledge. UNFPA financial rule 104.2 provides that payments of voluntary contributions in other than United States dollars are recorded at the United Nations operational rate of exchange in effect on the date of payment.

Gains and losses resulting from exchange adjustments arising from payments of voluntary contributions are recorded in a separate account as an offset to contributions. All other exchange adjustments have been recorded as miscellaneous income.

Advances made to Governments and non-governmental organizations are stated at historic rates, that is, the United Nations operational rate in effect at the date of payments. All other assets and liabilities held in currencies other than United States dollars have been revalued at the United Nations operational rate of exchange in effect at 31 December 1991.

(d) Capital expenditure

The full cost of non-expendable equipment used for administrative purposes is charged to the UNFPA biennial budget in the year in which it is purchased. An inventory is maintained of all non-expendable equipment (defined as items of equipment valued at $500 or more a unit, and with a serviceable life of at least five years, and items of equipment included in any special lists, for which formal inventory records are maintained).

(e) Change in accounting policy

Effective 1 January 1991, expenditure on intergovernmental institutions and other agencies including non-governmental organizations has been recognized upon receipt of expenditure reports. This policy differs from that applied in previous periods whereby expenditure was recognized at the date the funds were advanced. The effect of this change is that advances of $2,335,680 to intergovernmental institutions and other agencies including non-governmental organizations have not been included in expenditure (1990-1991) in statement I. The comparative figure for advances in 1988-1989 are not available.

Note 2. Non-convertible currencies pending United States dollar credit from UNDP

The amount of $187,488 represents non-convertible currencies, held by UNDP on behalf of UNFPA, converted into United States dollars at the United Nations operational rate of exchange in effect on the date of receipt.

Note 3. Contributions pledged by Governments

Contributions pledged by Governments for current and prior years that had not been paid by 31 December 1991 were as follows:

	United States dollars
1987 and prior years	280 532
1988	57 966
1989	195 399
1990	71 421
1991	1 016 301
Total (statement II)	1 621 619

Note 4. Operating funds provided or payable to, and unliquidated obligations of executing agencies

As at 31 December 1991 net operating funds of $3,063,807 were provided to executing agencies. This balance consisted of an amount of $8,182,469 provided by UNFPA to agencies and an amount of $5,118,662 payable by UNFPA to other agencies. These balances, after taking into account unliquidated obligations, are consistent with the operating fund balances reported by the executing agencies.

The unliquidated obligations of $30,849,054, shown separately in statement II, consist of $15,864,149 in respect of United Nations executing agencies, $14,984,905 in respect of UNFPA/Governments as executing agencies.

Note 5. Operational reserve

In accordance with Governing Council decision 89/49, paragraph 16, the level of the operational reserve was set at $45 million in 1989. The level of the operational reserve was reviewed at the thirty-eighth session (1991) of the Governing Council and by its decision 91/36 the operational reserve has been set at 20 per cent of the general resources income in the work plan for each year and this level of the reserve will be reviewed every other year. This will be applicable from 1992 and future periods.

Note 6. Unspent allocations

The balance of general resources shown in statement III excludes 1991 unspent allocations of $40,239,789 and allocations for future years amounting to $177,048,739 issued to executing agencies, Governments, intergovernmental institutions and other agencies including non-governmental organizations, as shown in schedule 8. Of the allocations for future years, $127,278,253 relates to allocations for 1992.

Note 7. Investments in currencies other than United States dollars

The investments reported in the balance sheet and schedule 5 include the United States dollar equivalent of investments in other currencies using the United Nations operational rate of exchange in effect for the month of December 1991. At the United Nations operational rate of exchange in effect from 1 January 1992, which more closely reflects the market rate of exchange as at 31 December 1991, the value of these investments would amount to $398 more than that shown in the accounts; (whereas in 1989 it was $575,245 more than that shown in the accounts).

Note 8. Reimbursable procurement

UNFPA entered into an agreement with World Bank on 27 March 1991 to act as an executing agency for World Bank-financed programmes, including the utilization of UNFPA contraceptive procurement services in support of World Bank-supported programmes in developing countries. During 1990-1991 UNFPA received advances of $20,583,170, of which $18,333,999 was disbursed for procurement costs and $901,325 for UNFPA support costs leaving a balance of $1,347,846. The support costs charged by UNFPA is part of the $6,011,593 credits and income shown in schedule 4.

Note 9. Exchange adjustments

Net exchange rate losses of $4,373,433 arising on collection of contributions pledged in a particular currency but paid in a different currency are shown in statement I.

Note 10. Termination benefits

Termination benefits that UNFPA may be required to pay to its staff members in future years are estimated at 31 December 1991 to be $2,932,171 with respect to repatriation grants, and $391,936 with respect to termination indemnities.

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